

**HOLD | TP : IDR2,250**
**Stock Price Data**

Last Price	: IDR2,050
52wk High	: IDR3,050
52wk Low	: IDR1,780
Share Out	: 21.6 bn
Market Cap	: IDR46.5 tn

**Stock Price Performance**

1-Day	: -1.0%
1-Week	: -2.4%
1-Month	: +5.1%
3-Month	: -3.3%
Year-to-Date	: -10.9%

**Shareholders**

Bersama Digital Infrastructure Asia Pte. Ltd.	: 75.0%
PT Wahana Anugerah Sejahtera	: 9.3%
Public	: 15.7%

**PT Tower Bersama Infrastructure Tbk (TBIG IJ)**
**Expect Recovery Post-MNO Consolidation**
**1H23 Results: Net Profit Dropped**

In 1H23, TBIG reported a decline of net profit by -16.6% YoY to IDR688.8 bn (vs IDR826.1 bn in 1H22), falling below our estimates (48.9%/45.8% of MNCS/cons). We notice that finance expenses rose by +7.0% YoY. Moreover, TBIG recorded a rise in the operating expense (+53.0% YoY), leading to a reduced EBITDA margin to 86.7% in 1H23 (vs 87.4% in 1H22). Despite cutting COGS (-16.3% YoY), TBIG's revenue dropped -0.7% YoY, influenced by Tri's consolidated tenancy to IOH (14.8% contribution towards overall revenue in FY21) and ISAT's non-renewals, resulting in 29.5% contribution towards its revenue (vs 35.4% in 1H22). Additionally, TBIG increased tower count to 41.4k units (vs 40.2k units in 1H22), while maintaining its tenancy ratio at 1.9x.

**2023 Outlook : Cashing in for Expansion**

Using 2.7k population/tower ratio, total towers are projected to grow at a stable 3.9% CAGR (FY22-FY25F), reaching 24.5k units in FY25F. We also assume that TBIG's market share is likely to be maintained at over 25%, meaning an average addition of ~900 towers annually. Assuming a capex of ~IDR2.2 bn per tower, TBIG's capex for tower expansion ranges from IDR1.5-2.4 tn per annum. Additionally, we see that TBIG will also focus on expanding its fiber segment. In 1H23, the fiber segment contributed 4.1% towards overall revenue, far lower than TOWR's 14.5% contribution along with recorded 97.0% CAGR (FY19-FY22), thus we see a potential in the segment for TBIG. Given optic fiber cost estimated at ~IDR35 mn/km and the 30k km addition management target in FY23E, TBIG's fiber capex is estimated to be ~IDR1.1 tn for FY23E. Therefore, to finance this, the company has prepared 2 ways:

- **Bond issuance:** TBIG has recently issued a bond valued at IDR1.5 tn through its Bond VI Program. Specifically, IDR1.0 tn has a fixed rate of 5.9% with a tenor of 370 days, while IDR500.0 bn has a fixed rate of 6.3% with a tenor of 3 years. As a result, this could lead to an interest expense of IDR153.6 bn. On the leverage perspective, TBIG's net debt/EBITDA was at 4.5x in 1H23, and through the issuance, we see that the ratio potentially increased to 4.9x in FY23E. Yet, we see that this was still lower than peer average of 5.1x and net debt/EBITDA requirement for bank loans of 5.0x.
- **Treasury shares disposal:** TBIG aims to transfer 102.0 mn treasury shares through a negotiated market to its holding, Bersama Digital Infrastructure Asia Pte Ltd between 30-Aug-2023 to 31-Mar-2024. As per Article 13 letter (a) of OJK Regulation No. 2/POJK.04/2013, the sale price should be the higher of two values: 1) the closing price a day before; 2) the 90-day average before the sale. Assuming unchanged share price as in 5-Sep-2023, the sale price is estimated to be using condition 1) worth IDR2,050 (vs IDR2,040 90-day average), generating IDR209.2 bn for TBIG.

**Revenue and EBITDA to Grow Single Digit**

With the reported free cash flow (FCF) of IDR3.4 tn in FY22, TBIG is seen to have a stronger financial position compared to its peers (TOWR: IDR553.7 bn; MTEL: -IDR6.6 tn). For FY23E-FY27F, we project its FCF to range between IDR2.5-3.0 tn in line with the company's resiliency in handling high leverage and continuous expansion especially to the fiber industry. Thus, in FY23E, we project for >700 additional towers as well as 41,780 tenants (vs 40,884 tenants in FY22), resulting in growth in TBIG's revenue by +3.0% YoY. This translates to a stable tenancy ratio of 1.9x assuming unchanged lease rate at IDR13.0 mn/tenant/month. However, a risk rises from the rumored merger of EXCL with FREN as reported by Bloomberg, which could reduce the tenancy rate in the future as they contributed 27.0% of the 1H23 tower revenue. Note, we have not included the potential merger in our calculation. Moreover, we estimate the fiber revenue to contribute 2.9% towards the overall revenue (vs 0.8% in FY22) on the back of 30k fiber deployments by FY23E. On the cost side, repair and maintenance expenses per tower per month are projected to stay at IDR1.1 mn, resulting in +2.7% YoY EBITDA growth.

**Recommendation: HOLD with TP IDR2,250/share**

We recommend HOLD for TBIG with TP: IDR2,250/share (+9.8% upside), implying 12.6x FY23E EV/EBITDA. Upside potential includes potential interest rate cut-off. Downside risks: 1) MNO Consolidation; 2) high current interest rate; 3) leverage level; 4) premium valuation among peers.

Key Financial Highlight (IDR bn)	FY20	FY21	FY22	FY23E	FY24F
Revenue	5,327.7	6,179.6	6,524.4	6,721.4	7,159.4
Net Income	1,009.6	1,549.0	1,637.6	1,409.3	1,513.7
EPS (IDR)	46.7	71.6	75.7	65.2	70.0
P/E (x)	43.9	28.6	27.1	31.5	29.3
BVS (IDR)	430.1	452.6	504.8	538.1	573.9
P/B (x)	4.8	4.5	4.1	3.8	3.6
EV/EBITDA (x)	14.6	13.3	12.8	12.6	12.1
ROA (%)	2.8	3.7	3.8	3.2	3.2
ROE (%)	10.9	15.8	15.0	12.1	12.2

Source : MNCS


**Research Analyst**

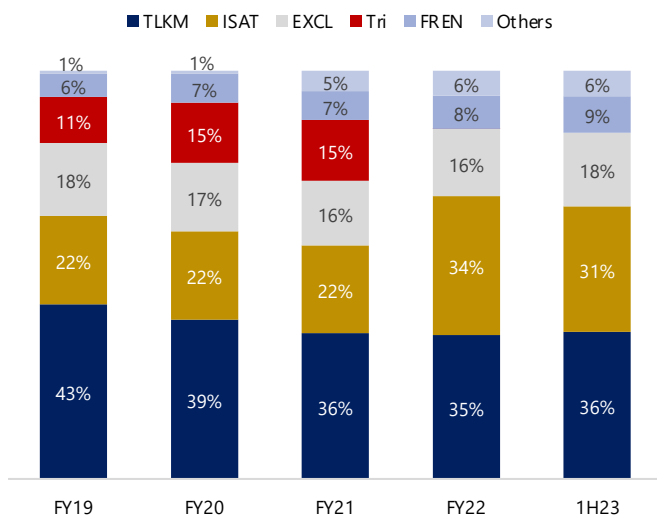
 Andrew Sebastian Susilo  
 andrew.susilo@mncgroup.com

**Exhibit 01. TBIG's FY23E Projection vs Bloomberg Consensus**

IDR bn	2Q22	1Q23	2Q23	% QoQ	% YoY	1H22	1H23	% YoY	MNCS	Cons.	MNCS %	Cons %
<b>Revenue</b>	<b>1,662.0</b>	<b>1,617.9</b>	<b>1,662.0</b>	<b>2.7%</b>	<b>0.0%</b>	<b>3,303.6</b>	<b>3,279.9</b>	<b>-0.7%</b>	<b>6,721.4</b>	<b>6,663.1</b>	<b>48.8%</b>	<b>49.2%</b>
COGS	(518.4)	(430.8)	(342.4)	20.5%	33.9%	(924.1)	(773.3)	16.3%				
<b>Gross Profit</b>	<b>1,143.7</b>	<b>1,187.0</b>	<b>1,319.6</b>	<b>11.2%</b>	<b>15.4%</b>	<b>2,379.5</b>	<b>2,506.6</b>	<b>5.3%</b>	<b>4,959.3</b>	<b>5,004.0</b>	<b>50.5%</b>	<b>50.1%</b>
Gross Margin (%)	68.8%	73.4%	79.4%			72.0%	76.4%					
Opex	(114.0)	(127.6)	(216.2)	-69.4%	-89.6%	(224.8)	(343.8)	-53.0%				
<b>EBIT</b>	<b>1,029.6</b>	<b>1,059.4</b>	<b>1,103.4</b>	<b>4.2%</b>	<b>7.2%</b>	<b>2,154.7</b>	<b>2,162.8</b>	<b>0.4%</b>	<b>4,461.4</b>	<b>4,379.7</b>	<b>48.5%</b>	<b>49.4%</b>
EBIT Margin (%)	62.0%	65.5%	66.4%			65.2%	65.9%					
<b>EBITDA</b>	<b>1,452.4</b>	<b>1,394.6</b>	<b>1,449.0</b>	<b>3.9%</b>	<b>-0.2%</b>	<b>2,887.1</b>	<b>2,843.6</b>	<b>-1.5%</b>	<b>5,814.5</b>	<b>5,769.3</b>	<b>48.9%</b>	<b>49.3%</b>
EBITDA Margin (%)	87.4%	86.2%	87.2%			87.4%	86.7%					
<b>PBT</b>	<b>462.3</b>	<b>380.7</b>	<b>406.2</b>	<b>6.7%</b>	<b>-12.1%</b>	<b>945.9</b>	<b>786.8</b>	<b>-16.8%</b>	<b>1,660.7</b>	<b>2,043.8</b>	<b>47.4%</b>	<b>38.5%</b>
<b>Net Income</b>	<b>410.9</b>	<b>332.0</b>	<b>356.8</b>	<b>7.5%</b>	<b>-13.2%</b>	<b>826.1</b>	<b>688.8</b>	<b>-16.6%</b>	<b>1,409.3</b>	<b>1,503.2</b>	<b>48.9%</b>	<b>45.8%</b>
Net Margin (%)	24.7%	20.5%	21.5%			25.0%	21.0%					

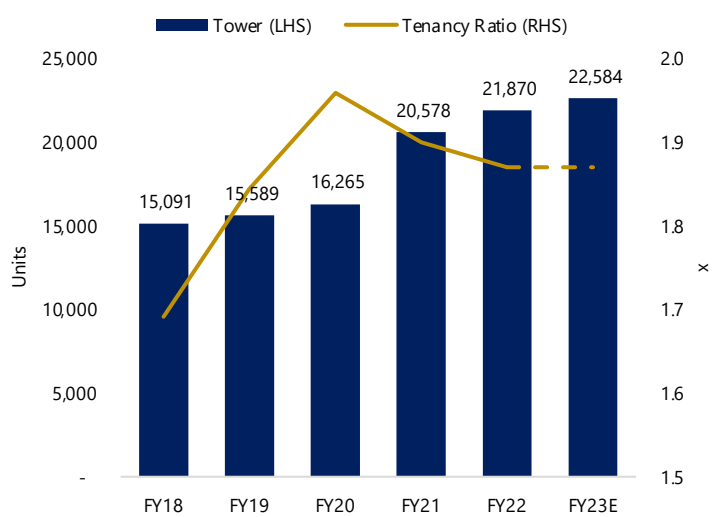
Sources: Company, Bloomberg, MNCS

**Exhibit 02. TBIG's Tenancy Composition**



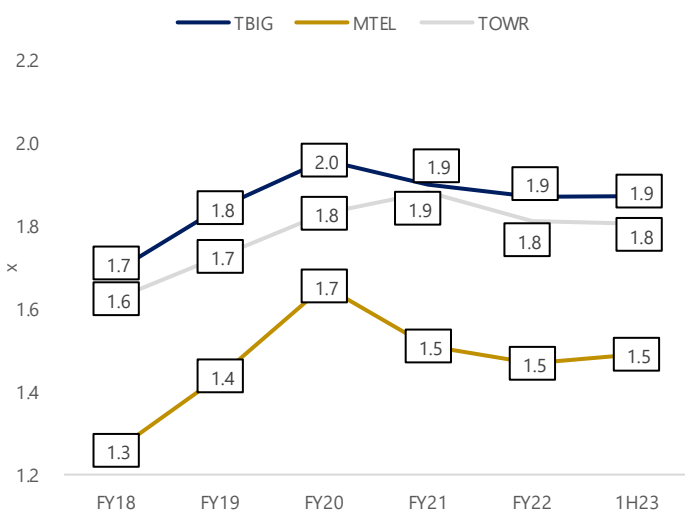
Sources : Company, MNCS

**Exhibit 03. Tower vs Tenancy Ratio**



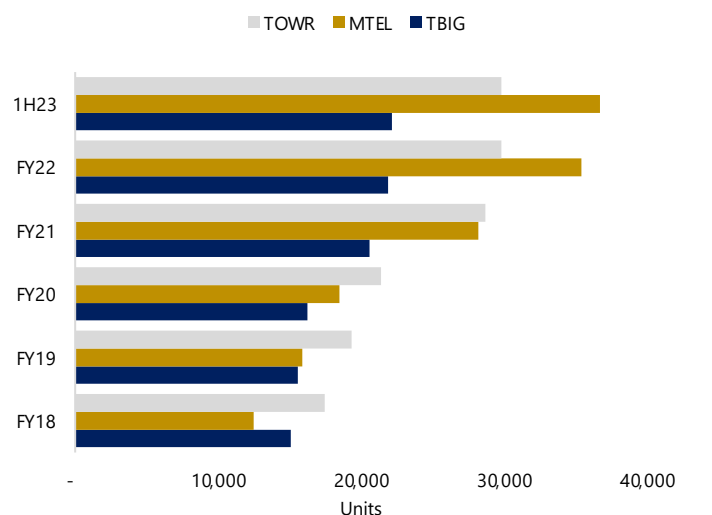
Sources : Company, MNCS

**Exhibit 04. TowerCo Tenancy Ratio**



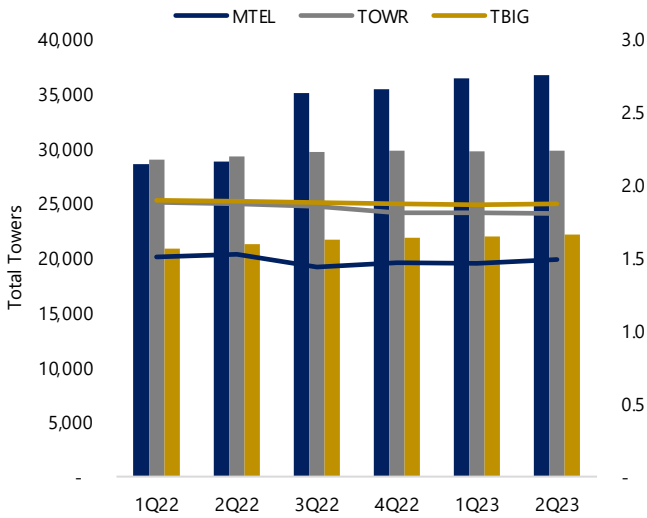
Sources : Company, MNCS

**Exhibit 05. TowerCo Total Towers**



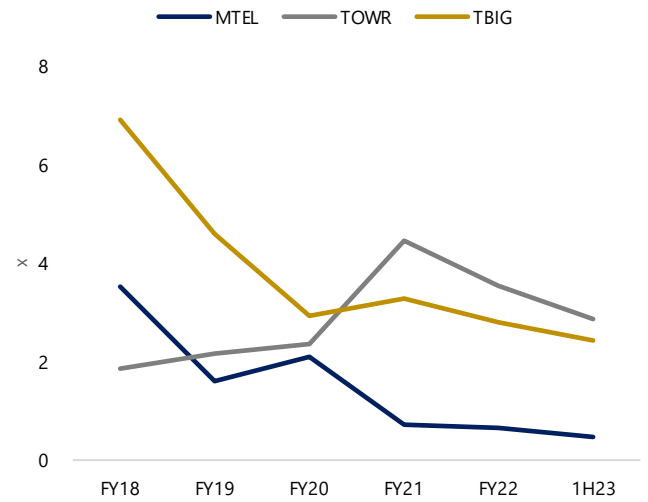
Sources : Company, MNCS

**Exhibit 06. TowerCo Total Towers and Tenancies Portfolio**



Sources : Company, MNCS

**Exhibit 07. DER of TowerCo**



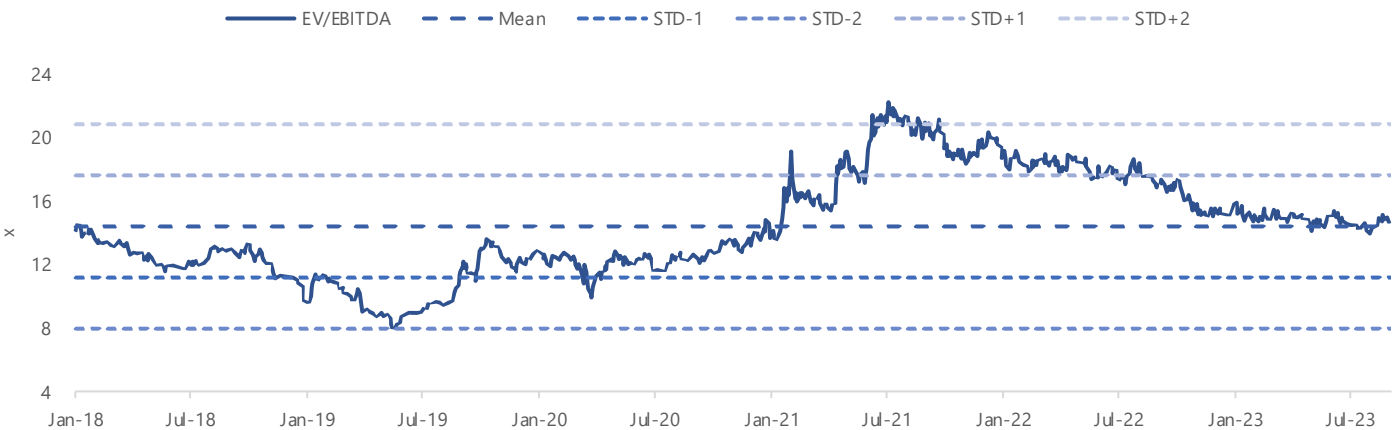
Sources : Company, MNCS

**Exhibit 08. TowerCo Valuation and Profitability Ratio**

IDR bn	MTEL	TOWR	TBIG	Industry
Price (IDR)	720	1,035	2,030	
Outstanding Shares (mn)	83,539	51,015	22,657	
<b>Market Cap</b>	<b>60,148</b>	<b>52,801</b>	<b>45,994</b>	
Total Debt	15,630	42,870	27,513	
Cash & Cash Equivalent	3,812	486	909	
<b>Enterprise Value</b>	<b>71,966</b>	<b>95,185</b>	<b>72,597</b>	<b>239,748</b>
EBITDA	6,836	9,858	5,815	22,509
<b>EV/EBITDA (x)</b>	<b>10.5</b>	<b>9.7</b>	<b>12.5</b>	<b>10.7</b>
DER (x)	0.7	3.4	2.8	2.3
OPM (%)	42.8	60.4	66.4	56.5
EBITDA Margin (%)	80.7	84.5	86.5	83.9
NPM (%)	24.4	28.7	21.0	24.7
ROA (%)	3.5	4.7	3.2	3.8
ROE (%)	5.9	20.8	12.1	12.9

Sources: Company, MNCS

**Exhibit 09. TBIG is currently traded at the mean of 5-year EV/EBITDA**



Sources : Bloomberg, MNCS

**Exhibit 10. Financial Projections**

Income Statement						Balance Sheet					
IDR bn	2020	2021	2022	2023E	2024F	IDR bn	2020	2021	2022	2023E	2024F
<b>Revenues</b>	<b>5,327.7</b>	<b>6,179.6</b>	<b>6,524.4</b>	<b>6,721.4</b>	<b>7,159.4</b>	<b>Current Assets</b>	<b>3,227.4</b>	<b>3,021.3</b>	<b>3,565.8</b>	<b>3,525.3</b>	<b>3,955.5</b>
Operating Expense	418.6	400.9	458.6	497.8	538.2	Cash & Cash Equivalents	947.3	629.1	966.3	988.5	1,179.2
<b>EBIT</b>	<b>3,816.0</b>	<b>4,305.9</b>	<b>4,282.5</b>	<b>4,461.4</b>	<b>4,747.1</b>	Account Receivable	710.7	538.7	270.0	293.0	377.9
<b>EBITDA</b>	<b>4,617.1</b>	<b>5,428.8</b>	<b>5,661.9</b>	<b>5,814.5</b>	<b>6,188.0</b>	Inventories	118.3	226.4	621.7	502.1	561.7
Interest Expense	2,134.5	2,136.0	1,828.9	1,914.3	2,119.1	Others current Assets	1,451.0	1,627.0	1,707.8	1,741.8	1,836.7
Interest Income	14.9	12.2	13.8	14.0	15.5	<b>Non-Current Assets</b>	<b>33,293.9</b>	<b>38,849.2</b>	<b>39,574.2</b>	<b>41,049.8</b>	<b>43,550.0</b>
<b>Profit Before Tax</b>	<b>1,509.5</b>	<b>2,220.5</b>	<b>2,405.2</b>	<b>2,372.5</b>	<b>2,518.2</b>	Fixed Asset-net	28,738.4	33,637.9	34,427.6	35,853.9	38,126.2
Tax Expense (Benefit)	442.9	334.6	222.3	192.1	206.8	Other Non-Current Assets	4,555.5	5,211.3	5,146.5	5,195.9	5,423.8
Minority Interest	57.0	52.4	51.9	59.4	67.4	<b>TOTAL ASSETS</b>	<b>36,521.3</b>	<b>41,870.4</b>	<b>43,140.0</b>	<b>44,575.1</b>	<b>47,505.4</b>
<b>Net Profit</b>	<b>1,009.6</b>	<b>1,549.0</b>	<b>1,637.6</b>	<b>1,409.3</b>	<b>1,513.7</b>	<b>Current Liabilities</b>	<b>13,777.9</b>	<b>8,432.4</b>	<b>8,728.2</b>	<b>8,888.8</b>	<b>9,145.7</b>
EPS (full amount)	46.7	71.6	75.7	65.2	70.0	Account Payable	571.0	37.4	255.6	271.2	330.4
						ST Debt	10,757.9	5,614.3	6,121.0	6,243.4	6,337.1
						Other current liabilities	2,449.0	2,780.6	2,351.6	2,374.1	2,478.2
						<b>Non-Current Liabilities</b>	<b>13,439.6</b>	<b>23,648.8</b>	<b>23,491.4</b>	<b>24,045.8</b>	<b>25,945.6</b>
						LT Debt	13,089.4	23,132.0	22,838.6	23,386.7	25,257.6
						Other Non-Current Liabilities	350.2	516.8	652.9	659.1	688.0
						<b>TOTAL EQUITY</b>	<b>9,303.8</b>	<b>9,789.2</b>	<b>10,920.4</b>	<b>11,640.5</b>	<b>12,414.0</b>
						<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>36,521.3</b>	<b>41,870.4</b>	<b>43,140.0</b>	<b>44,575.1</b>	<b>47,505.4</b>
Cash Flow						Ratios					
IDR bn	2020	2021	2022	2023E	2024F	IDR bn	2020	2021	2022	2023E	2024F
<b>CFO Total</b>	<b>2,038.6</b>	<b>2,357.9</b>	<b>2,598.8</b>	<b>2,863.1</b>	<b>2,878.4</b>	Revenue Growth (%)	13.4	16.0	5.6	3.0	6.5
Net Income	1,009.6	1,549.0	1,637.6	1,409.3	1,513.7	EBIT Growth (%)	13.3	12.8	(0.5)	4.2	6.4
Depreciation	801.1	1,122.9	1,379.4	1,353.0	1,440.8	EBITDA Growth (%)	15.1	17.6	4.3	2.7	6.4
Change in Working Capital	(21.4)	(469.7)	91.6	112.2	(85.3)	Net Profit Growth (%)	23.2	53.4	5.7	(13.9)	7.4
Change in Others	249.2	155.7	(509.9)	(11.4)	9.2	Current Ratio (x)	23.4	35.8	40.9	39.7	43.2
<b>CFI Total</b>	<b>(5,808.6)</b>	<b>(7,104.2)</b>	<b>(2,104.4)</b>	<b>(2,828.7)</b>	<b>(3,941.0)</b>	Quick Ratio (x)	12.0	13.8	14.2	14.4	17.0
Capex	(5,098.7)	(6,448.5)	(2,169.2)	(2,779.3)	(3,713.1)	Receivable Days	48.7	31.8	15.1	15.9	19.3
Change in Others	(709.9)	(655.7)	64.8	(49.4)	(227.9)	Inventory Days	8.1	13.4	34.8	27.3	28.6
<b>CFF Total</b>	<b>529.5</b>	<b>4,987.9</b>	<b>(439.2)</b>	<b>(12.3)</b>	<b>1,253.3</b>	Payable Days	190.7	9.3	52.3	56.2	64.4
Net Change in Debt	887.3	4,899.0	213.2	670.5	1,964.6	Debt to Equity (x)	2.9	3.3	3.0	2.8	2.8
Dividend payment	(746.1)	-	(863.0)	(689.2)	(740.2)	Debt to EBITDA (x)	5.9	5.9	5.7	5.7	5.7
Others	388.2	88.9	210.6	6.3	28.9	Operating Margin (%)	71.6	69.7	65.6	66.4	66.3
Net Cash Increase	420.6	(318.2)	55.1	22.1	190.7	EBITDA Margin (%)	86.7	87.9	86.8	86.5	86.4
<b>Closing Balance</b>	<b>947.3</b>	<b>629.1</b>	<b>966.3</b>	<b>988.5</b>	<b>1,179.2</b>	Net Margin (%)	19.0	25.1	25.1	21.0	21.1
						ROA (%)	2.8	3.7	3.8	3.2	3.2
						ROE (%)	10.9	15.8	15.0	12.1	12.2

Sources : Company, MNCS

### MNC Research Industry Ratings Guidance

- **OVERWEIGHT** : Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months
- **NEUTRAL** : Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months
- **UNDERWEIGHT** : Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

### MNC Research Investment Ratings Guidance

- **BUY** : Share price may exceed 10% over the next 12 months
- **HOLD** : Share price may fall within the range of +/- 10% of the next 12 months
  - **SELL** : Share price may fall by more than 10% over the next 12 months
  - **Not Rated** : Stock is not within regular research coverage

### PT MNC SEKURITAS

MNC Financial Center Lt. 14 – 16  
Jl. Kebon Sirih No. 21 - 27, Jakarta Pusat 10340  
Telp : (021) 2980 3111  
Fax : (021) 3983 6899  
Call Center : 1500 899

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